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SENIOR INTERDEPARTMENTAL GROUP-INTERNATIONAL ECONOMIC POLICY

Wednesday, January 12, 1983

4:00 P.M.

Roosevelt Room

Attendess:

Treasury

Secretary Regan
Beryl Sprinkel
Marc Leland

CIA

Henry Rowen

State

Secretary Shultz
W. Allen Wallis
Robert Morris

USTR

Ambassador William Brock
John E. Ray

Defense

Fred C. Ikle
Don Goldstein

OMB

Alton G. Keel
Fred Khedouri

Agriculture

Seeley G. Lodwick

CEA

Martin Feldstein

Commerce

Gus Fiske
Lionel Olmer

OPD

Roger B. Porter

Interior

Robin West

NSC

Henry Nau
Norman Bailey (Executive Secretary)
Roger Robinson
William F. Martin

Energy

W. Kenneth Davis
George Bradley

The Chairman opened the meeting by asking for a review of the debt situation of Yugoslavia, Poland and Romania.

Yugoslavia

A Swiss-chaired meeting was held in Bern in early January to discuss multilateral assistance for Yugoslavia. The Fund stated the nature of the Yugoslav problem and set the size of the financing gap at \$1 - \$1.5 billion. Most countries indicated their willingness to proceed with the pledging exercise on the basis of the Fund's proposed program. The United States pledged \$222 million in medium-term credits, an amount equal to 20 percent of total pledges of \$1.14 billion. Most pledges were in the form of export credits which may not necessarily provide balance of payments financing needed by Yugoslavia. The Yugoslavs also requested a three-month, once renewable, bridging credit from the

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- 2 -

BIS, the feasibility of which will depend on whether a sound IMF program and a satisfactory medium-term loan package can be arranged and appropriate collateral provided for such a bridge.

Poland

It was noted that we face a difficult situation in Poland. On the one hand, the three conditions have not been met which would allow us to reschedule the 1982 debt. On the other hand, the longer governments do not agree to reschedule, Poland benefits from not having to pay. We are likely to face increasing pressure from our Allies to engage in rescheduling in the coming months. It was agreed that Treasury would prepare a paper outlining our present options.

Romania

The French have notified us that the Romanians have approached them about rescheduling their 1983 official debt payments under the Paris Club. The SIG agreed that the Paris Club should not reach an agreement until after the IMF Board has taken action on GOR access to IMF resources under its standby arrangement. The IMF staff have said that if the GOR implemented all of its adjustment measures called for under the arrangement, it should be able to restore its creditworthiness and meet all of its 1984 external commitments. It was noted that present efforts to get Romania to remove its emigration tax will be a factor in our relations with them.

Alaskan Oil Exports

Under Secretary Wallis reported on the work of the International Energy Security Group (IESG) on the question of Alaskan oil export to Japan. There remains general interagency consensus (except for the Department of Transportation) that partially lifting the ban is desirable from a domestic economic and foreign policy point of view; however, there could be stiff resistance in the Congress. The working group on this question will continue to pursue this work on a priority basis.

Status of NSDD-66

Under Secretary Wallis gave a status report on U.S. preparations for the East-West studies called for in the Summary of Conclusions of the East-West economic accord. The four working groups established in NSDD-66 have developed terms of references and implementation strategies for the major topics of the studies: East-West economic relations, energy, credits, and technology transfer. The Chairman asked that agencies give Mr. Wallis their comments no later than noon, Friday, January 14. A status report will then be prepared for the President for White House delivery by Saturday, January 15. It was noted that while the individual strategy papers did not contain objectives, the overall objectives for these studies are clearly identified in NSDD-66. It was also

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- 3 -

noted that the CIA should consider providing some insight into the likely Allied reaction to some of our basic objectives.

Replenishment of the IDB

Under Secretary Sprinkel reported on the results of the sixth replenishment of the Inter-American Development Bank (IDB). After fifteen months of negotiations of which the last six have been particularly difficult, the member countries of the IDB have reached agreement in principle. For the most part, the U.S. contribution falls within previously approved limits. We are still under the limit of paid-in capital and on the Fund for Special Operations contributions. However, we will exceed our approved authority on callable capital. Noting the success in other areas, the SIG-IEP authorized the use of an additional \$368 million in callable capital.

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